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1993 Feature Article - The Australian and New Zealand Standard Industrial Classification

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THE AUSTRALIAN AND NEW ZEALAND STANDARD INDUSTRIAL CLASSIFICATION: CLOSER STATISTICAL RELATIONS

Introduction

The Australian Bureau of Statistics (ABS) and the New Zealand Department of Statistics (NZDOS) have released jointly the first edition of the Australian and New Zealand Standard Industrial Classification (ANZSIC) - ABS cat. no. 1292.0.

The ANZSIC has been developed as the standard industrial classification for use in the production and analysis of industry statistics in both countries. It replaces the Australian Standard Industrial Classification (ASIC) and the New Zealand Standard Industrial Classification (NZSIC) which have been used in their respective countries as the standard classifications for many years.

The new ANZSIC classification represents a significant undertaking and it is anticipated that its implementation will be equally significant.

The purpose of this article is to describe:

- the background to the development of the ANZSIC classification;
- the process of development;
- the major differences between the old ASIC and the new ANZSIC;
- how and when the ANZSIC will be implemented in ABS statistical series;
- the kinds of products and services that will follow the implementation of the ANZSIC;
- how the ANZSIC will be maintained;
- how and when it might be reviewed in the future.

The ABS has published an information paper Introducing the Australian and New Zealand Standard Industrial Classification (ANZSIC) ABS cat. no.1298.0. It provides further detail on the differences between the ASIC and the ANZSIC.

An information paper on the ANZSIC has also been produced by the NZDOS. This paper

includes information on the implementation of the ANZSIC in New Zealand statistical series.

Background

The objective in developing any national industrial classification is to identify groupings of businesses which carry out similar economic activities and which satisfy conditions such as economic significance. These groupings can be used to define an industry. An individual business can then be assigned to an industry on the basis of its predominant activities.

The term "business" is used in its widest sense to include any organisation which provides goods or services and includes companies, non-profit organisations, government departments and enterprises.

The ABS has used industrial classifications for over thirty years. In the late 1960s, when it was known as the Commonwealth Bureau of Census and Statistics, it used several distinct industrial classifications across its many collections. The ABS developed the original 1969 edition of the ASIC and it became the first standard industrial classification to be used throughout the ABS.

Although essentially based on the International Standard Industrial Classification (ISIC), the other classifications in use were drawn upon to produce the first ASIC. This allowed for some element of comparability with those previously used classifications. Extensive investigations were undertaken into activity mixes that were typical of Australian business at the time. The information gathered contributed to the inclusion of an Australian dimension in the determination of the finer level composition underlying the broad international (ISIC) structure.

Revised editions of the ASIC were released in 1978 and 1983. The first revision took about three years to complete and resulted in numerous changes, mostly at the lowest (Class) level. This meant that the integrity of the classification at the three higher levels, (Division, Subdivision and Group) remained virtually intact. The second revision was focused entirely on the Transport and Storage Division of the classification and, apart from this area, the classification remained unchanged.

In 1985, a comprehensive review of all aspects of the ASIC began. This coincided with the review of the ISIC being undertaken by the UN Statistical Commission. Drafts of this third revision of the ISIC indicated that it would be more in tune with the Australian industrial situation than previous versions.

While the ASIC had been revised as described above, the basic structure and content of the classification had not been fundamentally reviewed since its inception in 1969. Consequently, the principal objectives of the review were to align the revised ASIC with ISIC Revision 3 and to reflect the changed characteristics of Australian business. The revision concentrated on enhancing the statistical treatment of the services sector. It included the effects of technological progress and reflected the changing structure of Australian industry.

The review of the ASIC began with the collection of information, together with the issue of an invitation for submissions from the statistical user community. The ASIC was then divided into a number of segments and at least two reports were compiled on each segment. These analysed the existing classification and proposals submitted for changes in the light of the principles established for the review (see below). Recommendations were made and the reports circulated for comment as widely as possible, both inside and outside the ABS.

In New Zealand, the first New Zealand Standard Industrial Classification (NZSIC) had been based on the 1948 version of ISIC. Three revisions of the NZSIC were produced. The first was in 1970, the second was in 1975 and contained a more detailed classification in some areas. The third edition was produced in 1987.

The Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) came into effect on 1 January 1983. It is the most recent of the economic agreements that have operated between the two countries since 1922.

The statistical agencies of both countries have, for a number of years, monitored the progress of economic relationships. They have shared experiences and explored common interests. Joint working relationships have been arranged to harmonise statistics wherever possible.

In May 1990, the NZDOS and the ABS considered the possibility of developing a common industrial classification for use by both countries. New Zealand endorsed the principles being followed in the ASIC Review, with the proviso that a Class would be established in the classification if it was economically significant in either country and satisfied the other criteria listed below. An agreement on a strategy for developing a new, single classification was formulated and work began in 1991.

Principles employed in the review

The principles applied in the review which resulted in the production of the ANZSIC included the requirement that the Classes in the ANZSIC (the finest level of the hierarchy) should:

- represent recognisable segments of Australian and/or New Zealand industry;
- meet user requirements for statistics;
- be relatively homogeneous in terms of industrial activity (defined by specialisation and coverage ratios described later);
- be economically significant;
- align as closely as practicable with the International Standard Industrial Classification of all Economic Activities (ISIC Rev.3).

The first principle relates to the need to represent realistically the way activities are actually organised within establishments, which are the statistical units upon which the ANZSIC classification is based. In the Australian statistical system, businesses are represented by a hierarchy of units reflecting differing complexity in the operating structures. The lowest level unit in this hierarchy for which business accounts are kept is referred to as the establishment. The establishment is made up of one or more locations from which the business operates.

The homogeneity requirement reflects the need to form Classes which are made up of units that undertake similar economic activities. Homogeneity of Classes is measured by specialisation and coverage ratios.

The specialisation ratio measures the extent to which units belonging to a particular Class engage in the activities designated as primary to that Class. The coverage ratio measures the extent to which the activities designated as primary to a particular Class are undertaken by units belonging to that Class. For individual Classes to be recognised in the ANZSIC, it was generally required that specialisation and coverage ratios exceed 70 per cent.

The economic significance threshold was set at a minimum of \$200 million turnover for Australia or \$40 million for New Zealand, or employment of 3,500 for Australia or 700 for New Zealand. 1989-90 was used as the reference period for assessing significance, with no maximum conditions applying.

Alignment with the ISIC was considered to be highly desirable, but this was not followed strictly where it was considered to be inappropriate for local conditions and requirements.

ANZSIC structure and numbering

The ANZSIC, like the ASIC, has a four level hierarchical structure, made up of Divisions (the broadest level), Subdivisions, Groups and Classes (the finest level).

The Division provides a broad overall picture of the economy and is suitable for the classification of data published in summary tables in official statistics. There are 17 Divisions in the ANZSIC, each identified by an alphabetical character as shown in Table 1. This compares with 13 Divisions in the current ASIC. The Subdivision, Group and Class provide increasingly detailed dissections of the broader categories. Each Subdivision is represented by a two digit code, each Group by a three digit code and each Class by a four digit code.

TABLE 1. THE ANZSIC DIVISIONS

| Division | Division Title |
|----------|---------------------------------------|
| A | Agriculture, Forestry and Fishing |
| B | Mining |
| C | Manufacturing |
| D | Electricity, Gas and Water Supply |
| E | Construction |
| F | Wholesale Trade |
| G | Retail Trade |
| H | Accommodation, Cafes and Restaurants |
| I | Transport and Storage |
| J | Communication Services |
| K | Finance and Insurance |
| L | Property and Business Services |
| M | Government Administration and Defence |
| N | Education |
| O | Health and Community Services |
| P | Cultural and Recreation Services |
| Q | Personal and Other Services |

A completely new numbering system has been employed in the ANZSIC. Any matches with ASIC codes are coincidental.

Changes from ASIC to ANZSIC

There have been significant changes in the world economy during the last twenty years. The development of ANZSIC reflects this situation in general, but it also acknowledges particular circumstances in Australia and New Zealand. Specifically, the ANZSIC is based on recognition of:

- a shift away from goods producing industries to service industries;
- the desire for closer alignment of the ANZSIC to the ISIC;
- rapid technological development;
- user requirements for provision of separate industry categories.

Shift in emphasis from goods producing to service industries

There has been a significant shift from goods producing industries to service industries in terms of Class movements. The goods producing industries include most of the Classes in Divisions A to E inclusive (Agriculture, Forestry and Fishing; Mining; Manufacturing; Electricity, Gas and Water Supply; and Construction). The service industries include most Classes in the remaining Divisions.

The number of Divisions in the service industries has increased from 8 in the ASIC to 12 in the ANZSIC. This increase is reflected in the more detailed levels of the classification, with the number of Classes in the service industries showing a net increase from 237 in the ASIC to 256 in the ANZSIC. Correspondingly, the number of Classes in the goods producing industries showed a net decrease from 229 to 209. The number of Classes in Manufacturing in particular decreased, from 173 to 153.

Implementation of the ANZSIC in ABS Collections

The ANZSIC will be implemented progressively into ABS collections.

When the ANZSIC is introduced it will result in breaks to some industry time series. Information in the form of back-cast series and conversion matrices will be provided to allow users to link the series.

Table 2 provides indicative information on the timing of selected statistics to be released on an ANZSIC basis. The table includes:

- the name of the statistical collection (in alphabetical order);
- the frequency of the collection;
- the reference period to which the first ANZSIC statistics relate;
- the expected release date for these statistics.

TABLE 2. ANTICIPATED DATES FOR THE FIRST RELEASE OF STATISTICS USING ANZSIC

| ABS Collection | Frequency | Reference Period for First Release | Expected Date of First Release |
|--|------------|------------------------------------|--------------------------------|
| Agricultural Commodity Census | Annual | 1991-92 | October 1993 |
| Agricultural Finance Survey | Annual | 1992-93 | January 1994 |
| Average Weekly Earnings | Quarterly | 3 months to August 1994 | October 1994 |
| Award Coverage | 4-5 Yearly | May 1995 | May 1996 |
| Capital Expenditure, New, Survey of | Quarterly | June quarter 1994 | October 1994 |
| Commercial Finance | Monthly | July 1994 | September 1994 |
| Company Profits, Survey of | Quarterly | September quarter 1994 | November 1994 |
| Construction Industry Survey | 5 Yearly | 1994-95 | June 1996 |
| Economic Activity Survey | Annual | 1993-94 | December 1994 |
| Employee Earnings and Hours, Survey of | Annual | May 1994 | November 1994 |
| Employment and Earnings, Survey of | Quarterly | September quarter 1994 | January 1995 |
| Engineering Construction Survey | Quarterly | September quarter 1994 | December 1994 |

| | | | |
|--|-------------------|-------------------------|----------------|
| Exports and Imports, Merchandise | Monthly | July 1993 | September 1993 |
| Foreign Investment Survey | Quarterly | September quarter 1994 | January 1995 |
| | Annual | 1993-94 | May 1995 |
| Industrial Disputes | Monthly | January 1995 | April 1995 |
| | Annual | 1994 | April 1995 |
| International Trade in Services Survey | Annual | 1993-94 | May 1995 |
| Job Vacancies and Overtime | Quarterly | 3 months to August 1994 | September 1994 |
| Labour Costs, Major, Survey of | 2 Yearly* | 1993-94 | June 1995 |
| Labour Force Survey | Monthly/Quarterly | August 1994 | September 1994 |
| Lease Finance | Monthly | July 1994 | September 1994 |
| Manufacturing Census | Annual | 1991-92 | September 1993 |
| Mining and Utilities Census | Annual | 1991-92 | October 1993 |
| National Accounts | Quarterly | December quarter 1994 | March 1995 |
| Population and Housing, Census of | 5 Yearly | 1996 | 1997-98 |
| Research and Experimental Development, Survey of | Annual | 1992-93 | June 1994 |
| Retail Activity Survey | Irregular | 1991-92 | November 1993 |
| Retail Business Survey | Irregular | July 1994 | September 1994 |
| Service Industries Surveys - varying industries | Irregular | 1991-92 | December 1993 |
| | Irregular | 1992-93 | December 1994 |
| Stocks and Manufacturers Sales, Survey of | Quarterly | September quarter 1994 | November 1994 |
| Wholesale Industry Survey | Irregular | 1991-92 | November 1993 |

Note: This is not a comprehensive listing of all ABS collections producing ANZSIC based statistics. Dates listed may be subject to change.

* Annual from 1985-86 to 1991-92. To be conducted biennially from 1994-95.

ANZSIC products and services

The ANZSIC (publication) includes the following sections:

- a description of the classification;
- a full list of the ANZSIC titles and codes;
- the detailed classification;
- concordances with the ASIC, NZSIC and the ISIC (Rev.3);
- an alphabetic index of primary activities.

Following the release of the ANZSIC, a range of related products will be made available. These will include:

- the ANZSIC (electronic form). This will contain the same information as the ANZSIC publication but is designed to be accessed through an IBM PC or compatible. The electronic form is available for those users who wish to reference and search the ANZSIC electronically; for example, via a proprietary word processor. The ANZSIC in electronic form will be available as a whole, or as individual sections as listed above.
- the ANZSIC Coding Index (publication). This will be an expanded version of the basic index of primary activities contained within the ANZSIC, and will be similar to the existing ASIC Vol.2 (ABS Catalogue No.1202.0).
- the ANZSIC Coding Index (electronic form). The electronic version of the ANZSIC Coding

Index is designed to be accessed through an IBM PC or compatible. In combination with proprietary software, it will enhance manual matching of ANZSIC codes and activity descriptions. It is intended that the electronic version of the index will be periodically updated.

- the ANZSIC Concordances - detailed. These will be more detailed than the concordances contained in the ANZSIC publication in that they will provide comparisons of primary activities between concorded categories.
- a Concepts and Methods publication. This will describe the concepts and methods employed in industry classification and coding, and will cover the kind of information provided in Chapters 2 to 6 of the existing ASIC Volume 1.
- the ANZSIC Computer Assisted Coding System. This will be an electronic package, designed to be accessed through an IBM PC or compatible. It will automatically allocate the correct four digit ANZSIC code when the user enters an industry description, or will assist the user in allocating a code when the description is not precise. Release 1 of this system will be similar to the current ASIC Coder (ABS Catalogue No.1276.0).

Classification advice, training and consultation

Assistance can be provided in many ways, from general advice on classification and coding through to use of computer assisted coding systems. As part of the advisory services function, a procedure of ANZSIC Determinations will be instituted, providing clarification of the treatment of existing activities and recommended treatment for activities not already identified in the ANZSIC.

Further information on the above products and services can be obtained by contacting The Director, Economic Standards and Classifications section, ABS, by phone (02) 6252 7967.

Future reviews of the ANZSIC

Industrial classifications such as the ANZSIC tend to be revised infrequently, to allow maximum consistency and comparability in statistical series over time.

The next revision of the ANZSIC is not planned to occur until the next century. Factors that will influence the timing of the next review include shifts in the structure of the Australian economy, future revision plans relating to the ISIC and the need to take account of timing and implementation plans for major statistical activities such as the Population Census and the National Accounts.

Conclusion

The success of the ANZSIC project has already led to planning for a joint Australian and New Zealand Commodity Classification. Australia's participation in the Asia Pacific Economic Cooperation (APEC) initiative has recently opened up further opportunities for regional statistical cooperation. In collaboration with other APEC members, Australia is providing statistical expertise to make a range of data, particularly data relating to international trade and investment, more comparable between member countries.

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